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The President's Daily Brief

November 30, 1974

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FOR THE PRESIDENT ONLY

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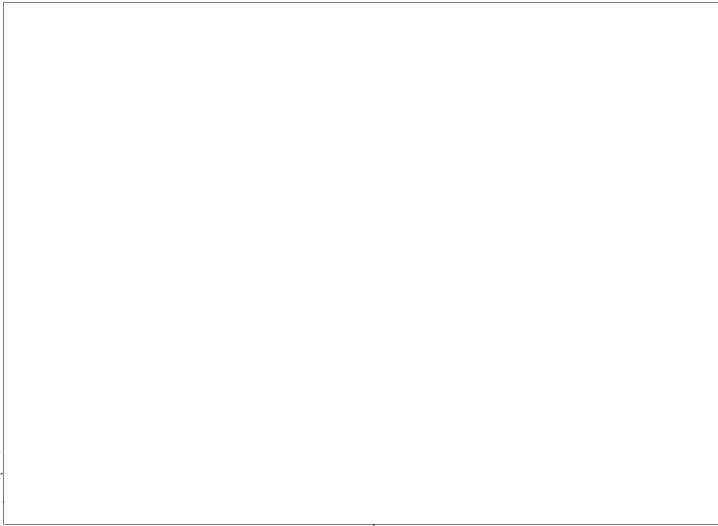
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ARAB STATES

[redacted] the
Arab War Fund for Egypt, Syria, Jordan,
and the Palestine Liberation Organiza-
tion is by no means [redacted] clearly defined
[redacted] Arab
League representatives are scheduled
to meet next Tuesday to iron out kinks
in the economic measures adopted at the
Rabat summit. The kinks are large ones;
the meeting will be difficult and the
outcome is uncertain.

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Even the total amount of the fund is in doubt.
As of November 25, only \$1.4 billion, some 60 per-
cent of the amount allocated at Rabat, had been
firmly pledged by Persian Gulf oil producers. North
African Arab producers are uncommitted. Libya,
which sent only low-level representatives to Rabat,
undoubtedly is expected to contribute a sizable
share of the more than \$900 million remaining to be
pledged.

The duration of the Rabat War Fund seems to
be another unsettled question. The fund was first
reported to be a multi-year commitment; it has since
been described by Arabs both as a one-year alloca-
tion renewable annually, and as a longer term pro-
gram subject to annual review.

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LIBYA-FRANCE

Crude oil production from one of Libya's nationalized fields, which had been running below 30,000 barrels per day, was suddenly increased to 125,000 barrels per day in early November, with the additional oil reportedly going to France at special low prices.

A US embassy source indicates that the Libyans have offered the French more crude oil if favorable financial terms can be reached. Libya may have reduced its price in an effort to market greater amounts of crude; this at least raises the possibility that the Libyans may be willing to lower the price to oil companies for oil sold during the fourth quarter of this year.

High prices along with weak demand have made it difficult to sell Libyan crude. Oil production declined to slightly over 1 million barrels per day in October. This was less than one third of Libya's peak production, which was reached in 1971, and a ten-year low.

The French have made it their policy to negotiate government-to-government oil deals whenever possible. They currently are attempting to buy 400,000 barrels per day from Saudi Arabia over a ten-year period.

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GREECE-CYPRUS

Archbishop Makarios arrived in Athens yesterday for talks with Greek and Greek Cypriot leaders before traveling on to Cyprus next week.

The talks will be aimed at hammering out a common Greek position for negotiations with the Turks. Acting Cyprus President Clerides will try to obtain a firm commitment from Makarios and from Greek Prime Minister Karamanlis to allow him a free hand in trying to negotiate a Cyprus settlement with his Turkish Cypriot counterpart, Rauf Denktash.

Clerides, who recently has taken the line that the Greek side has little choice but to accept the Turkish demand for a biregional federated state, has stated that he will stay on as negotiator only if Makarios agrees not to interfere. Makarios, however, is firmly and publicly on record rejecting the Turkish position, and he is unlikely to reverse himself unless Karamanlis applies considerable pressure.

Even if Makarios should agree to stay in the background, his mere presence on the island will be disruptive. The Turkish military is prepared to conduct a rescue operation in the event that fighting between pro- and anti-Makarios factions threatens the lives of Turkish Cypriots still stranded in the Greek sector. This could involve a temporary takeover of the whole island by the Turks.

Greek Cypriot officials are already bracing for violence within the Greek community in anticipation of the Archbishop's expected return on December 6.

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[redacted] some anti-Makarios activity, including bombings and revenge killings, is expected. The Greek government is alert to the possibility of an assassination attempt against Makarios while he is still in Athens.

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VENEZUELA

President Perez will announce nationalization of US-operated iron ore concessions early next week. Perez' action will be popular with Venezuelans and the popularity of his administration, already high, will increase.

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[REDACTED]

[REDACTED] A transition period of one year is planned before the take-over is completed. During that time, the US companies will continue to operate the mines, but general mining policy will be decided by the government.

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It is hoped that retention of the US companies as operators during the transition will avert any major disruption in production that might occur if inexperienced Venezuelan technicians were to take over. The government will also use the time to try to work out a satisfactory labor agreement with the miners, who receive much higher pay and more benefits than workers in other industries the government runs.

Following the initial year of operating the mines, the US companies will probably provide "technical services"--engineering assistance and management advice--for an indefinite period. [REDACTED]

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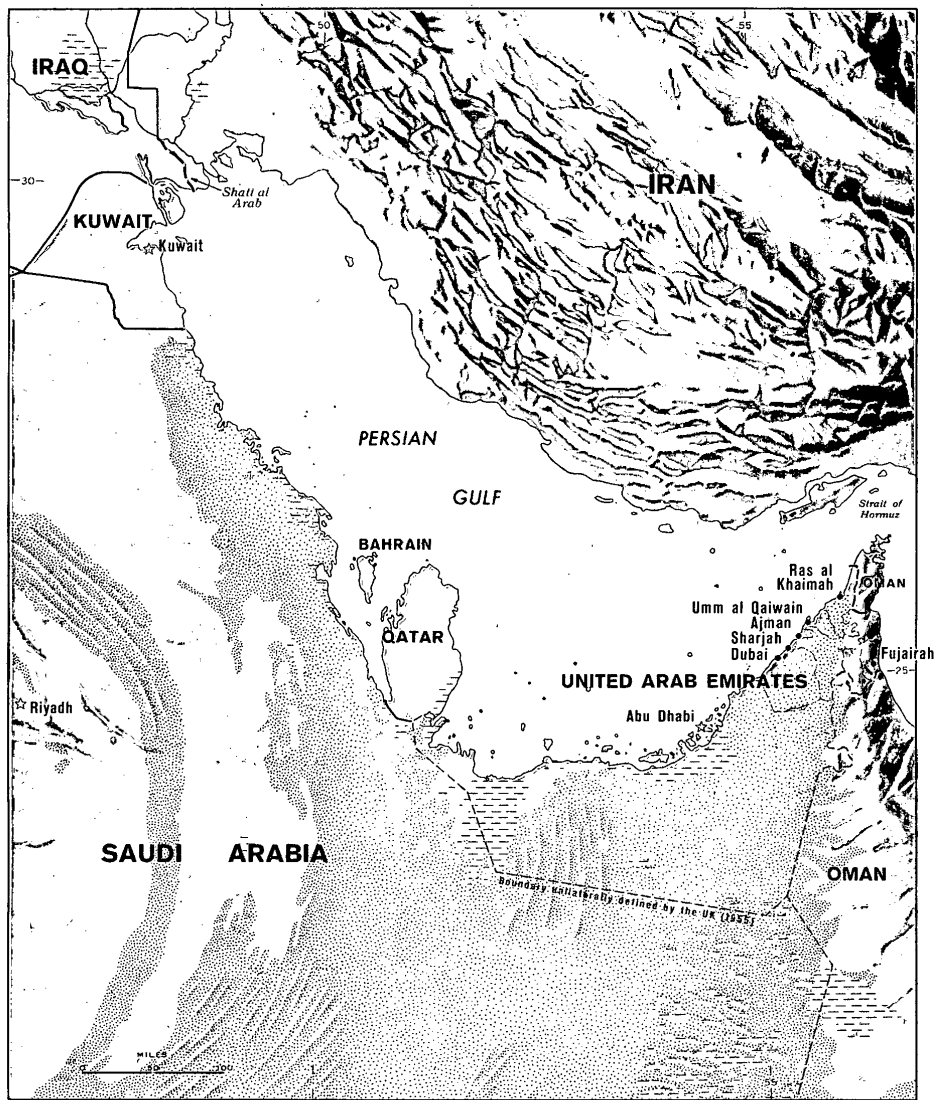
[REDACTED]

Venezuela will produce about 25 million tons of iron ore this year, most of which is exported to the US. Venezuelan mines provide about a third of US iron ore imports and 11 percent of total US consumption.

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[REDACTED]

A final side effect of the nationalization is likely to be a harder push by Venezuela for the formation of a producers' cooperative. Although Venezuela's proposal for an OPEC-type organization of iron ore exporters failed to win much support at a recent meeting in Geneva, the Perez administration is expected to revive its proposal in January, when iron ore producers meet in New Delhi to prepare for a ministerial-level meeting in the spring.



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NOTES

Persian Gulf: Saudi Arabia will host a meeting of Arab States of the Gulf area early next week; the rulers of the United Arab Emirates, Oman, Qatar, and Bahrain will attend. In announcing the meeting, the Saudis have said only that the Arab leaders will discuss regional affairs. Presumably, one major topic will be greater cooperation in defense matters. Recent Arab pronouncements concerning cooperation in the Gulf region have pointedly omitted any reference to Iran. It seems likely, in fact, that the Shah's pretensions to a dominant role in the area may be moving his Arab neighbors, who are historically suspicious of Iran, toward greater cooperation.

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Arab States - USSR:

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Israel-Egypt: Both countries have increased their air activity along the disengagement area over the past few weeks; they are now flying reconnaissance missions near the Suez Canal almost daily. The Israelis in particular are showing sensitivity to air activity by the other side.

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Turkey: President Koruturk will probably turn to Bulent Ecevit once again to try to form a government in the wake of the resounding defeat of the proposed Irmak cabinet in parliament yesterday.

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[REDACTED] The deteriorating domestic situation may have convinced the Democrats that the two-and-a-half month stalemate must be broken and that new elections will be necessary to secure a clear mandate to govern. There is a growing fear among the politicians that if they are unable to form a workable government, the military will.

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Argentina: Encouraged by recent successes in their offensive against terrorism, security officials think they may now be able to inflict serious damage on the main terrorist organizations. The army and police seem to have obtained enough leads from captured extremists to justify the government's optimism. Many subversives are still being rounded up by units acting under the broad state-of-siege powers decreed by President Peron earlier this month. The terrorists have clearly been put on the defensive, at least temporarily. Whether they can be held down over the longer run will depend largely on the ability of government forces to follow up on recent successes.

Chile: Relations between the military government and the Christian Democratic Party are near the breaking point. The government and the party have been close to the brink before, but former president Frei's involvement in the latest dispute makes it the most serious. Frei has joined other Christian Democrat leaders in public protest against the deportation of the leader of the left wing of the party who was accused of violating the ban on political activity. Hardliners in the government, who would like to see a split between the armed forces and the Christian Democrats, will be pushing for a stern government response to the protest--outlawing the party, for example. In similar confrontations in the past, cooler heads have prevailed, but this time Frei's participation gives the party's protest the appearance of direct challenge to the junta. An outright break with the party would greatly narrow the government's political base and could lead to further restrictions in the area of human rights.

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